



# SSARS standard clarification

Frequently asked questions (FAQs)

# Preamble:

The CPA.com CAS (client advisory services) Advisory Council brought to the attention of CPA.com leadership that firms throughout North America were interpreting the applicability of SSARS 21 differently. Not only was each firm determining whether SSARSs applied to work their CAS practice was doing, but the answers firms were providing varied immensely.

From these conversations across AICPA and CPA.com leadership, the Accounting and Review Services Committee (ARSC) added this topic to their agenda. The ARSC held a meeting in August 2024 to determine if it was necessary and appropriate to clarify the applicability of the standard given the evolution and scope of technology and services offered by CPA firms through their CAS practices. After several meetings, the ARSC agreed to put out a clarification of the standard for public commentary through December 20, 2024. After consideration of the comments gathered through the comment period, on March 26, 2025, the ARSC voted to issue the new clarifying language as SSARS 27. The press release was as follows:

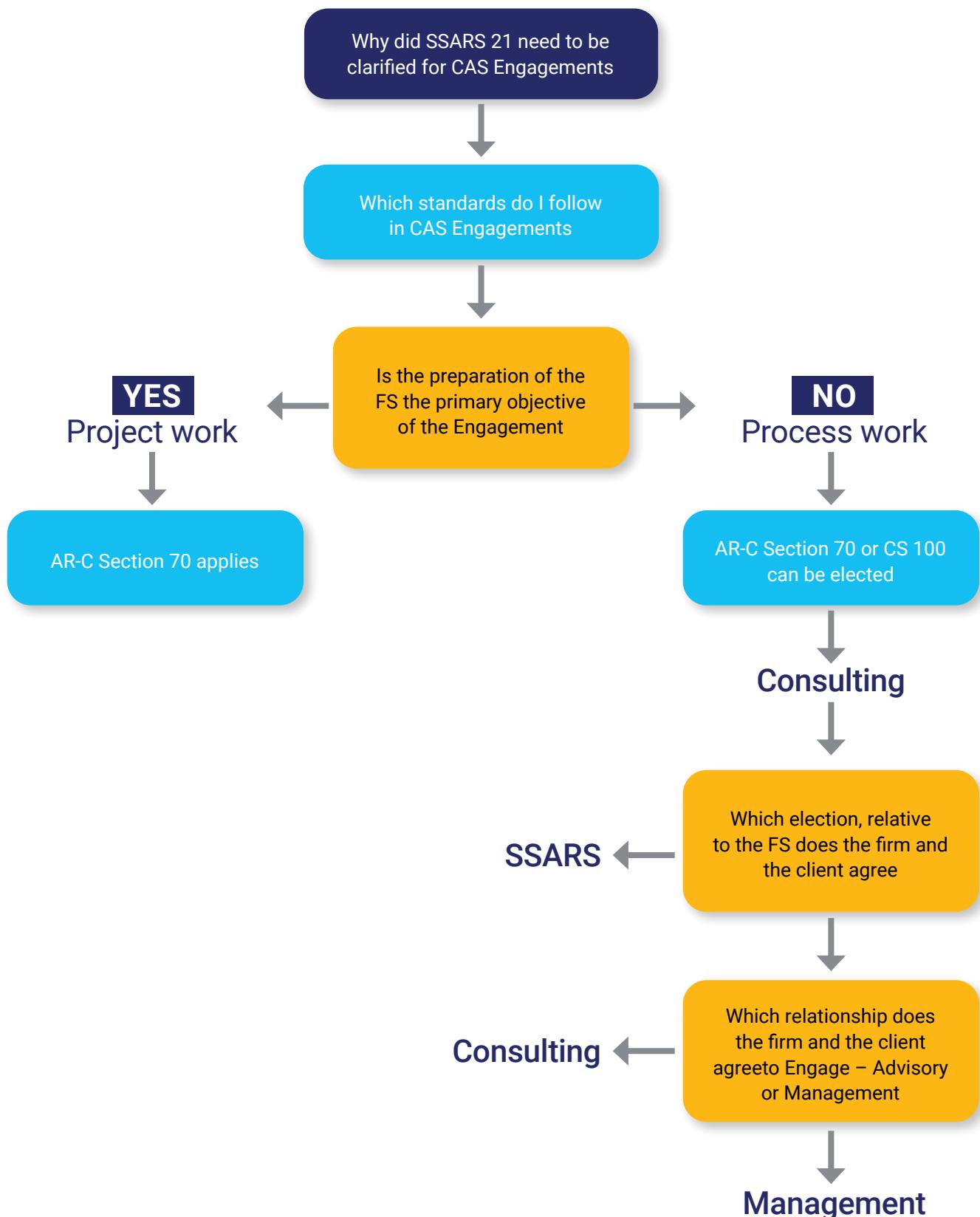
## **ARSC issues SSARS 27 to clarify applicability of AR-C Section 70 to consulting services engagements**

The AICPA Accounting and Review Services Committee has issued Statement on Standards for Accounting and Review Services No. 27, *Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement*, to clarify the applicability of AR-C section 70, *Preparation of Financial Statements*, in AICPA *Professional Standards* to explicitly exclude financial statements prepared as part of a consulting services engagement performed in accordance with CS section 100, *Consulting Services: Definitions and Standards*, from those engagements in which AR-C section 70 is required to be applied. The SSARS becomes effective for the preparation of financial statements for periods ending on or after December 15, 2026. Early implementation is permitted.

SSARS 27 provides a new path for CAS practices to consider the scope of work to be performed (on a client-by-client basis and/or on an engagement-by-engagement basis) along with the expectations of the client to determine whether the CPA firm will perform the engagement under AR-C section 70 as they have been, or perform that service under the Consulting Standards (CS 100) when the financial statement is not the primary objective of the engagement. The standard passed with the effective starting date of December 15, 2026, and with early implementation permitted when published on April 7, 2025.

A number of areas have been identified as needing resources and clarity to support and facilitate this change. Included in this document is a *Flow Chart of SSARSs and Consulting Standards Decision Tree and Comments and Frequently Asked Questions (FAQs)*.

# Flow chart of SSARSs and Consulting Standards Decision Tree with respect to financial statement preparation



# Comments and frequently asked questions (FAQs)

## Why did SSARS 21 need to be clarified

### COMMENT:

*I don't see the need for SSARSs to be modified or to allow CAS work to fall under the Consulting Standards. We don't believe SSARS 21 is an issue because our engagement letter specifically states that we are NOT being engaged to prepare a financial statement.*

**Response.** While this stance is common within the profession, the CAS Task Force discussions with the experts in our profession showed that our Standards and Professional Code of Conduct do not support this exception. One Standard's expert said that if the client believes the CAS work done by their CPA firm will provide a financial statement, then simply stating that you are not producing a financial statement even though it is not the primary objective of the work the CAS practice is performing, it is likely not adequate coverage for risk management under SSARSs. The statement by the Standard's setter was specifically, "If it walks like a duck, quacks like a duck, and looks like a duck, it is logically a duck." Therefore, without this SSARSs clarification, it was not clear that financial statements could be prepared under the Consulting Standards when the financial statements were not the primary objective of the engagement.

### COMMENT:

*This change really doesn't apply to my firm because we are NOT a CPA firm. Although a number of our employees do hold out as CPAs, we don't have to follow the public accounting standards because we are not a licensed CPA firm, nor do we hold out as a CPA firm.*

**Response.** While this is a common position to take, the problem isn't just SSARSs. You also must consider the Code of Professional Conduct circles back to requiring compliance adherence with the Profession's standards for anyone who holds out as a CPA and is a member of the AICPA. It states that any member that is not working directly for the employer's company is considered to be working in public practice when performing professional services and therefore required to adhere to the profession's standards. Here is some background:

The Code defines public practice [ET sec. 0.400.44] as the performance of professional services for a client by a member or a member's firm. The Code defines a firm [ET sec. 0.400.20] as an organization that is engaged in public practice but does not actually define the term "CPA firm." Regardless of the organizational structure an AICPA member works within, if that organization is engaged in public practice, then

that member is required to follow the Code. Now let's look at the Code's definition of "professional services" [ET sec. 0.400.42] and "client" [ET sec. 0.400.07]

Included in the Code's definition of professional services are services such as bookkeeping, management consulting, and financial management among others. All these services are clearly in the wheelhouse of firms providing CAS services.

The Code goes on to define client as, "any person or entity, other than the member's employer, that engages a member or member's firm to perform professional services", which is what firms with CAS practices provide.

Based on the definitions above, firms with CAS practices that have CPAs that are AICPA members, are engaged in public practice since they provide professional services to clients. Stand-alone CAS firms or CAS firm "carve outs" with CPA ownership or CPA licensed employees must also comply with professional standards. Therefore, regardless of the entity performing the work, if employees doing the work are CPAs and are members of the AICPA, the CPAs must comply with the Profession's standards. Without the SSARSSs clarification, the choice to treat the bi-product creation of the financial statements under the Consulting Standards was not a clear alternative available to them.

## COMMENT:

*We don't do financial statements, but we supply dashboards with financial information, help our clients with budgets and forecasts, and provide other accounting information. So, we were never under SSARSSs to begin with.*

**Response.** Today, many firms don't consider the creation of budgets or forecasts derived from financial statements or financial information as having to comply with accounting standards, disclosures, or other additional work required just because a CPA is involved. They don't consider dashboards revealing up-to-date financial information as having to comply with accounting standards. But the fact is that these types of services are often generated from the data collected in the trial balance.

When you consider SSARS 21 – Section 60, that extends SSARSSs to Other Financial Information, SSARSSs is written in the context of a review, compilation, or an engagement to prepare financial statements by an accountant. The Standards are to be adapted as necessary in the circumstances when the accountant is engaged to perform a review or compilation, or prepare other historical or prospective financial information. In addition, SSARS 23 expands the type of financial information that accountants can address in preparation, compilation, and review engagements. This interpretation could easily conclude that dashboard information, budgets, projections, graphics and more would fall under SSARSSs. This is work commonly done by firms as a consulting engagement without consideration of the nuances within SSARSSs. Without the SSARSSs clarification, providing dashboards, budgets, projections, etc. during CAS engagements, there was not a clear pathway for the firm to adopt the alternative of performing that work under the Consulting Standards.

## Which standards do I follow in CAS engagements

If a firm is engaged to complete a project which is a point-in-time financial statement and it is clearly the primary objective of the engagement, then due to Professional Standards and our Professional Code of Conduct, that engagement would need to be performed under SSARSSs. If the firm is engaged to process the client's transactions and handle the normal controllership functions an accounting department performs on a fractional basis, when the financial statements are NOT the primary objective of the engagement, the firm can elect to conduct the entire engagement, including the preparation of the financial statements, under the Consulting Standards.

### Is the preparation of the financial statements the primary objective of the engagement

#### Yes

- If the answer to this question is yes, then the work would fall under SSARSSs.
- Work performed under SSARSSs will also fall under the Quality Management System and potentially be included in the population of engagements subject to Peer Review.

#### No

- When a firm is being engaged to do work where the financial statements are not the primary objective of the engagement, the firm can elect to prepare the financial statements under SSARSSs, or can elect to conduct the entire engagement under the Consulting Standards even though financial statements will be available through the work performed. The decision is a choice the firm and the client will make on an engagement-by-engagement basis, and on a client-by-client basis.
- Any work performed by a CPA, due to our Code of Professional Conduct, will include meeting the Due Professional Care requirement.
- Work performed under the Consulting Standards does not fall under the Quality Management System or Peer Review.

### Which relationship does the firm and the client agree to engage – advisory or management

When a firm is being engaged to do work where the financial statements are not the primary objective of the engagement, and the firm and client elect to perform the work under the Consulting Standards, the firm and the client – at their discretion – agree to the relationship the work will be performed under. The firm could be engaged by the client in an advisory capacity, or the firm could be engaged by the client in a fractional management capacity.

#### Advisory

- The work will be performed under the Consulting Standards and the firm personnel will be considered by the client as outside advisors.

#### Management

- The work will be performed under the Consulting Standards and the firm personnel will be considered by the client as part of the client's management team.

# FAQs from a tactical perspective



## Engagement and services

### QUESTION:

*I have a current engagement letter for the year from January 1, 2025, to December 31, 2025. We determined our CAS services for the financial statements that the client receives **are a by-product of our services, so SSARS 21 doesn't apply.***

- a. *Do I need to convert the engagement letter to elect the consulting standard?*
  - i. *If so, do I need to start with a totally new letter, can I send an addendum, or can I just notify them in an email that our services will now be compliant with the consulting standard, CS 100?*
  - ii. *If an addendum is acceptable, do you have any guidance on what the wording in that addendum should look like?*
  - iii. *Does the addendum need to be in writing? If so, does it need to be signed by the client?*

**Response:** Regarding the plan to convert a CAS client from SSARSs to CS 100, you need to determine that the financial statement is not the primary objective of the CAS engagement. You should start by reviewing your current engagement letter and/or statement of work to determine what your current letter indicates regarding changes of this nature.

If you are performing CAS and not following SSARS 21, AR-C sec. 70 and you state "you are not engaged to prepare" then the election to move the client to CS 100 would generally be seamless and it would likely not be necessary to send an updated engagement letter or an addendum to the client. However, you may want to verbally or through email, tell your client that your services follow CS 100. You may want to discuss the best approach in making this change with your insurance carrier.

### QUESTION:

*I have a current engagement letter for the year from January 1, 2025, to December 31, 2025. We previously believed that our CAS services for the financial statements that the client receives are under SSARS 21 and we issue them under AR-C sec. 70. With the clarification provided by SSARS 27, I want to convert these engagements to be under the guidance of the consulting standard, CS 100.*

- a. *Do I need to convert the engagement letter to elect the consulting standard?*
  - i. *If so, do I need to start with a totally new letter, can I send an addendum, or can I just notify them in an email that our services will now be compliant with the consulting standard, CS 100?*

- ii. If an addendum is acceptable, do you have any guidance on what the wording in that addendum should look like?
- iii. Does the addendum need to be in writing? If so, does it need to be signed by the client?

**Response:** Regarding the plan to convert a CAS client from SSARSs to CS 100, and you have determined that the financial statement in NOT the primary objective of the CAS engagement. You should start by reviewing your current engagement letter and/or statement of work to determine what your letter indicates regarding changes of this nature.

If you are performing CAS and following SSARS 21, AR-C sec. 70, you will have an engagement letter that indicates you are performing a preparation engagement. You need to be satisfied that the financial statement that the client receives is NOT the primary objective of the CAS engagement. Once that has been determined, you can elect to apply CS 100 (which if done during this period would be an early implementation of SSARS 27). However, since you are converting to CS 100 from AR-C sec. 70, the current engagement letter is not correct, and you would need to amend your engagement letter in writing. You should discuss the best approach in making this change with your insurance carrier. They may prefer that you send a completely new engagement letter, or send an addendum to the existing engagement letter.

### QUESTION:

*Once I elect to perform my CAS practice services under CS 100, can those financial statements go to 3rd parties?*

**Response:** CS 100 does not prohibit the dissemination of work products derived from a CS 100 engagement being sent to 3rd parties. A financial statement that is NOT the primary objective of a CAS engagement under CS 100 can be provided to 3rd parties.

### QUESTION:

*Once I elect to perform my CAS practice services under CS 100, are those financial statements required to have a legend that "no assurance is provided"?*

**Response:** It is important to remember that the accountant has a professional obligation not to be associated with financial statements that he or she believes are misleading. CS 100 does not have guidance to prohibit or require information to be included in work products derived from CS 100. If the accountant determines that such a statement would reduce the risk that a user of the financial statements may be misled by the accountant's association, a financial statement that is NOT the primary objective of a CAS engagement could include a "no assurance is provided" in a legend but it would not be required to comply with CS 100. It is up to the firm to decide if they want to do this as it is an election, not a requirement.

## QUESTION:

*Once I elect to perform my CAS practice services under CS 100, do those financial statements need to have a statement in the header or in the legend that substantially all disclosures have been omitted?*

**Response:** It is important to remember that the accountant has a professional obligation not to be associated with financial statements that he or she believes are misleading. CS 100 does not have guidance to prohibit or require information to be included in work products derived from CS 100. If the accountant determines that such a statement would reduce the risk that a user of the financial statements may be misled because of the omission of disclosures, a financial statement that is NOT the primary objective of a CAS engagement could include a statement that "substantially all disclosures have been omitted" but it would not be required.

## QUESTION:

*Once I elect to perform my CAS practice services under CS 100, do those financial statements need to be clear as to the financial reporting framework that the statements are presenting (for example "tax basis")?*

**Response:** It is important to remember that the accountant has a professional obligation not to be associated with financial statements that he or she believes are misleading. CS 100 does not have guidance to prohibit or require information to be included in work products derived from CS 100. However, the Code of Professional Conduct requires a member to indicate when a financial statement is not in accordance with generally accepted accounting principles. Therefore, all financial statements should be clear regarding the financial reporting framework in which the financial statement represents. If the financial statement is not tax, cash, modified cash basis or FRF for SMEs basis, then the financial statement is assumed to be GAAP and if not in conformity with GAAP, it needs to be clearly noted.

## QUESTION:

*Once I elect to perform my CAS practice services under CS 100, do those financial statements need to be clear that our firm is not independent with respect to those financial statements?*

**Response:** CS 100 and SSARS 21, AR-C sec. 70 have no requirement to determine independence when performing CAS or in preparing financial statements, respectively. You are not required to make any reference to independence in either situation.

## QUESTION:

*My client sends financial statements to the bank monthly, but the bank requires a compilation report for the year-end financial statements. Can I elect to do all CAS work under CS 100 for the first 11 months for all financial statements issued but then do the year-end financial statement under SSARS 21, AR-C sec. 80 – Compilation?*

- a. *If that is acceptable, do you have any guidance on what the engagement letter wording would look like?*

**Response:** This would be considered two separate engagements. All work for the 11 months and the transaction work in the 12th month could be elected under CS 100 since the financial statement is not the primary objective of the engagement. The year-end financial statement would be a separate engagement and would be considered a separate project and since the compilation is the primary objective of the engagement AR-C sec. 80 would apply. The accountant may cover both engagements in one engagement letter as long as the required elements for both engagements are included in that engagement letter. Alternatively, the accountant may obtain separate engagement letters for the CAS engagement and the compilation engagement with latter following the requirements of SSARS 21, AR-C sec. 80 – compilations.

## QUESTION:

*How do I communicate this professional standard change to my clients, moving from our current approach to our election to be under the guidance of CS 100 and what this means to them?*

**Response:** How you communicate this, in writing or discussing verbally, to your client links to the terms of your current engagement letter. Regardless, when explaining it to your clients, your professional responsibility under the code of conduct for SSARS 21, AR-C sec. 70 and CS 100 are the same. The work must be performed using “due professional care” and carried out with objectivity and integrity.

## QUESTION:

*What do I need to do with respect to informing our insurance underwriter that we are converting all or some of our CAS client engagements to follow CS 100?*

**Response:** You will need to meet with your insurance carrier and discuss your plans to make sure that you are covered for any service you provide under CS 100, including CAS engagement elections under SSARS 27.

## QUESTION:

*Do I need to elect CS 100 for all of our firm's CAS clients? Or can we make that determination on an engagement-by-engagement basis?*

**Response:** Under SSARS 27, moving to CS 100 for financial statements that are NOT the primary objective of the CAS engagement, is an election. The firm can make the election on an engagement-by-engagement basis, or for the entire CAS client base. It depends on how standardized your statement of work is described in the engagement letter. If the statement of work is standard across all CAS clients, the firm could state that all CAS client engagements are being conducted following CS 100. If the statement of work is customized for each CAS client, there could be a CAS client where the financial statement is the primary objective of the CAS engagement. Then it may be best to make the CS 100 election on a client-by-client basis.

## QUESTION:

*If you always send out financials every month, and you forget to send them out and your client calls and asks for their financials, are you no longer engaged to provide financials?*

**Response:** The presumption is that you were engaged to issue the financial statements for the previous months. If you are engaged to issue a financial statement for a particular month and you don't issue, you should issue since that is what you are engaged to do. If you are specifically engaged to issue monthly financial statements, then you will need to determine if the financial statement is the primary objective of the engagement. If it is, you would follow AR-C sec. 70. If it is NOT the primary objective of the engagement, then you could elect to follow CS 100.

## QUESTION:

*How are the financials a "by-product" of the engagement? Isn't that the point of what we do?*

**Response:** SSARS 27 uses the following wording:

- a. ***"as part of a consulting services engagement performed in accordance with CS section 100, Consulting Services: Definitions and Standards,\* in which the preparation of financial statements is not the primary objective of the engagement. (Ref: par. .A5)"***

This wording makes it clearer when considered in context of the "primary objective" versus "by-product".

## QUESTION:

*What is the technical trigger? How do you define supporting services (consulting – recommendations only) vs providing services (outsourced CFO who is taking action, inputting transactions)?*

**Response:** CS 100 allows for both. If there is a technical trigger, it would be based on the wording used in the CAS engagement letter.

## QUESTION:

*Can we get (we need) some examples of how the engagement is structured to show what we are doing?*

**Response:** You can expect some specific examples to be provided by CPA.com in their resources section of their website in the near future.

## QUESTION:

*Can we "prepare" financial statements using SSARS 27?*

**Response:** In a project that you are engaged to perform a point-in-time financial statement and the financial statement is likely considered the primary objective of the engagement, SSARS 21, AR-C sec.70 applies. When the financial statement is the primary objective of the engagement, the election to CS 100 cannot be made. SSARS 27 allows the firm to elect to use CS 100 if the financial statement is NOT the primary objective of the CAS engagement. The firm can elect to prepare a financial statement under SSARS 21 even if the financial statement is NOT the primary objective of the CAS engagement.

## QUESTION:

*Can we get to a point where advisory can tell what quality looks like – what is "due care"?*

**Response:** SSARSs and CS 100 both have quality requirements. Under SSARSs the firm is required to follow the requirements of the SQMSs. CS 100 relies on the practitioner to determine quality and quality control through the requirements of Professional Competence, Due Professional Care, Planning and Supervision, and Sufficient Relevant Data. Due Professional Care specifically cites the requirement to exercise the necessary caution when providing services.



## Standards and compliance

### QUESTION:

*I am an owner of a tax practice, and I am also a partner of two different firms – do the other firms now fall under the standards since the owner of the tax practice is a CPA?*

**Response:** The SSARSs and CS 100 standards apply to individual CPAs who are members of the AICPA regardless of the firm structure, whether you are a CPA firm, a PE firm or a non-CPA firm.

### QUESTION:

*Why would I hire CPA's if it creates red tape for me?*

**Response:** SSARS 27 helps a practitioner to elect to move to CS 100 eliminating any perceived "red tape". Professionals that are CPAs are connected to the profession's Code of Professional Conduct differentiating CPAs from non-CPAs.



## Engagement letters and timing

### QUESTION:

*Do we have to do an engagement letter?*

**Response:** You should check with your firm's insurance carrier to confirm but the best practices with most carriers would recommend engagement letters for all engagements. SSARSs require an engagement letter in writing that is signed by both management and the accountant for all SSARSs engagements. CS 100 is silent on the use of engagement letters but does imply that an oral or written understanding is obtained with respect to consulting engagements.



## Risk and insurance

We had a number of questions submitted about how to deal with insurance. We are suggesting a few things a firm should consider below, but we recommend that you discuss this matter with your insurance carrier as it relates to CS 100 under SSARS 27.

- From a risk perspective how do they insure the services they are providing?
- Is it better to work with the insurance companies about what is best for firms – should our council/firms be telling insurance companies what they need?
- Are graduates coming out of school going to steer away from becoming a CPA because of the risk they will carry. This is a good reason to make sure you have the right level of insurance to create comfort with that risk.

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